

TIP

BUY

Sector: Holdings & RE

Price: Eu7.71 - Target: Eu12.40

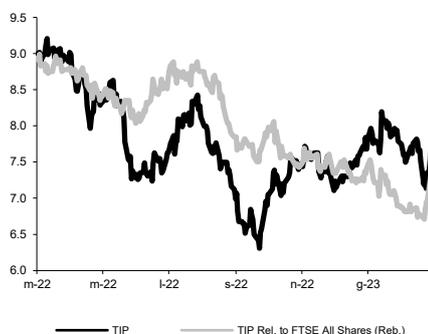
Value Creation not (Yet) Reflected in Stock Price: Up to BUY

 Alberto Villa +39-02-77115.431
 alberto.villa@intermonte.it

Stock Rating

Rating: from OUTPERFORM to BUY
Target Price (Eu): from 10.40 to 12.40

TIP - 12M Performance



Stock Data

Reuters code: TIP.MI
 Bloomberg code: TIP IM

Performance	1M	3M	12M
Absolute	-0.5%	8.4%	-11.0%
Relative	5.5%	-0.7%	-16.8%
12M (H/L)	9.21/6.31		
3M Average Volume (th):	156.06		

Shareholder Data

No. of Ord shares (mn):	184
Total no. of shares (mn):	184
Mkt Cap Ord (Eu mn):	1,422
Total Mkt Cap (Eu mn):	1,422
Mkt Float - Ord (Eu mn):	865
Mkt Float (in %):	60.9%
Main Shareholder:	
Management	11.7%

Balance Sheet Data

Book Value (Eu mn):	1,170
BVPS (Eu):	
P/BV:	
Net Debt (Eu mn):	-425
NAV (Eu mn)	2,279

■ **Solid FY22 results and positive indications from listed and private investments.** TIP closed FY22 with pro-forma net profit of Eu136mn, a book value of Eu1.17bn and a proposed dividend of Eu0.13. Moreover, listed investments provided positive earnings releases and very encouraging indications for 2023 and future years. This has led to upward revisions to our estimates and consensus expectations on earnings. Despite the challenging environment, the listed companies in which TIP has invested delivered average revenues growth of 19.4% and an adjusted EBITDA margin of ~18%. All companies in the portfolio enjoy very solid financial positions, with few of them having net debt / EBITDA >1x and many with cash positions that will enable them to grasp potential growth opportunities. Private companies also showed positive delivery, with revenues growth at ~35% and adjusted EBITDA margins of ~15%. These results confirm that TIP remains an outstanding selector of excellent companies among Italian industrial, consumer/luxury and tech players.

■ **Focus on value creation achievements and positive expectations.** In this report we attempt a deep dive into TIP's track record in creating value through its unique investment process. We think that over the years TIP has been able to establish itself as the first port of call for Italian companies seeking a stable, long-term partner to develop their business. TIP's track record consists of supporting the companies in which it invests, entering the BoD, strengthening governance and operating capabilities and supporting entrepreneurs and managers in exploiting M&A opportunities. Over the years, investees have carried out more than 180 M&A transactions, investing more than Eu8bn since TIP's initial outlay. This, along with organic growth, has allowed the companies to deliver massive value creation, raising their revenues from Eu16.4bn to Eu37.4bn (+128%) and EBITDA by 160% to Eu5.2bn. Clearly returns on TIP's invested capital were outstanding, with the net intrinsic value moving from Eu0.9bn to the present Eu3bn.

■ **Net intrinsic value lifted to Eu14ps (~Eu2.6bn).** TIP's total assets have been indicated at Eu3bn, with a balanced breakdown across sectors and segments. Large listed companies account for one third of assets at Eu1bn, while listed mid-caps add Eu841mn: value creation for listed investments was massive at more than 6x the capital invested (20.5x for large listed companies). In our view, however, TIP's value creation in private companies has largely been underestimated, with invested capital already doubling to Eu623mn, and significant expectations for further value generation in the future. Many companies in this bracket could be listed and/or continue their growth path through M&A, as has been the case in recent years and since TIP invested in their capital. Recent new investments in promising innovative companies and the tech hub StarTIP are the other areas of potential 'hidden' value creation that we expect investors to discover.

■ **Upgrade to BUY (from Outperform), tp Eu12.4 (from Eu10.4).** we raised price target to Eu12.4 and recommendation to BUY following our update on dynamic NAV. This reflects the high upside potential as the company trades at a wide 38% discount on dynamic NAV despite value creation coming from the investments in listed and private companies. Investees reported strong 2022 results with an average increase in revenues topping 20% and adj. Ebitda margin above 16%. Outlook provided with 2022 results were also reassuring. We thin the current discount is underserved and the internally calculated net intrinsic value stands at Eu14ps or ~Eu2.6bn. Firepower is in the region of Eu1.1bn and we believe TIP remains well positioned to catch investment opportunities despite the macro uncertainties. A number of private companies could consider going public to continue and accelerate further their growth path and crystallize value. In a scenario that we consider going forward will favor growth and quality names, TIP is exceptionally positioned to deliver enticing value creation for its shareholders.